
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058
INDIANAPOLIS, IN 46204
PHONE (317) 232-3773
FAX (317) 232-8779

TO: ALL COUNTY AUDITOR'S

FROM: DEPARTMENT OF LOCAL GOVERNMENT FINANCE

SUBJECT: LEGISLATIVE CHANGES AND 2003 BUDGET REQUIREMENTS

DATE: JULY 2003

BUDGET WORKSHOPS

The Budget Division of the Department of Local Government Finance will hold hands-on work sessions in each county during the months of July and August. If you have not been called for an appointment, the Department encourages you to contact your Field Representative to schedule a date and time to meet. Field Representatives will be in each county for a two to three day period, depending upon the number of units. In these meetings, the focus will be to check the accuracy of the prepared forms, insure that the budget is properly advertised and to provide assistance in whatever capacity is desired. Units should be prepared to bring the following to the work session:

- (1) Ledger of Receipts and Disbursements balanced to June 30
- (2) Any encumbrances brought forward from 2002 to 2003
- (3) Additional Appropriation orders approved by DLGF to June 30
- (4) Debt Service Worksheets
- (5) All amortization schedules applicable to debts incurred
- (6) Indication of debts which are anticipated to be incurred to begin repayment in 2004
- (7) Indication of the necessity of excessive levy appeals and appeal forms
- (8) Any other information which may aid in the budget preparation
- (9) Completed budget forms
- (10) Proposed budget calendar

It is hopeful that the "one-on-one" sessions will eliminate any technical errors, which have occurred in the past and become a valuable learning tool for future budgets.

FALL HEARINGS

Fall budget hearings are tentatively scheduled for October 14 - October 31. The Department of Local Government Finance will provide the County Auditor the hearing notice, to be published, specifying the dates and times of all taxing units' budget hearings. The Department will mail the notice to each Auditor at least two weeks in advance of the hearing. County officials are encouraged to attend the Department's hearing to address any taxpayer objections that may be heard or to comment on the budget. Budget

information should be filed with the County Auditor prior to the Department hearing.

OBJECTION PERIOD BETWEEN PUBLIC HEARING AND ADOPTION DATE

There is a ten (10) day period between the public hearing and the final adoption hearing which allows for a taxpayer objection period. IC 6-1.1-17-5(b) reads that, "Ten or more taxpayers may object to a budget, tax rate, or tax levy of a political subdivision fixed under subsection (a) by filing an objection petition with the proper officers of the political subdivision not more than seven (7) days after the hearing. The objection petition must specifically identify the provisions of the budget, tax rate, and tax levy to which the taxpayers object." The political subdivision shall then adopt a finding with its budget that addresses the concerns referenced in the petition and any testimony presented at the hearing.

This will allow taxpayer objections to be addressed on the local level, prior to final adoption. There is still an opportunity to appeal the budget estimates and tax levies as detailed in the Budget Form 3.

AUDITOR'S CERTIFICATE

IC 6-1.1-17-1 requires the County Auditor to certify assessed valuations and other information to the fiscal officer of each political subdivision of the county. The proposed Auditor's Certificate format is included in the county unit packet. The requirements are as follows:

"The statement shall contain:

- (1) Information concerning the assessed valuation in the political subdivision for the next budget year;
- (2) An estimate of taxes to be distributed to the political subdivision during the last six (6) months of the current budget year;
- (3) The current assessed valuation as shown on the abstract of charges;
- (4) The average growth in assessed valuation in the political subdivision over the preceding three (3) budget years, excluding years in which a general reassessment occurs, determined according to procedures established by the Department of Local Government Finance; and
- (5) Any other information at the disposal of the county auditor that might affect the assessed value used in the budget adoption process."

Additionally, the Auditor will provide information concerning the assessed value removed for the inventory deduction or interstate commerce exemption as described in the cumulative fund section of this memorandum.

DEBT SERVICE AND CUMULATIVE FUNDS

If a county anticipates repayment of a debt or establishes a new cumulative fund for the ensuing year, the fiscal body must advertise and adopt a debt service rate and/or the cumulative fund rate as part of the budget process. Even if a county has not received final approval for a pending debt service project or new cumulative fund, the fiscal body should still advertise and adopt a debt service and/or cumulative fund levy as part of the budget process. Failure to advertise and adopt a rate and levy for the ensuing year may

preclude the county from levying a tax for a new fund.

CUMULATIVE FUNDS

For 2004, the DLGF will adjust cumulative fund, school capital projects fund and racial balance fund rates to allow taxing units to recoup the levy lost due to a reduction of assessed value caused by the inventory deduction or the interstate commerce exemption. Cumulative funds do not need to be re-established to get the adjustment; however, taxing units will need to advertise and adopt a rate high enough to allow the adjustment. For 2003-2004, cumulative fund rates in 78 counties will be adjusted for the interstate commerce exemption. For 2003-2004, the DLGF will adjust cumulative fund rates in 14 counties for the inventory deduction. The DLGF will do a second adjustment in the 78 counties when the inventory deduction takes effect. The inventory deduction encompasses all inventory-related assessed value whereas the interstate commerce exemption does not capture 100% of inventory in a county. The additional adjustments will be made as counties adopt the 100% inventory deduction. The rate cap may exceed the statutory cap for the cumulative fund.

On or before August 1, the County Auditor will provide assessed value information necessary to determine the cumulative fund, school capital projects fund and racial balance fund rate adjustments. The County Auditor should receive information from the County Assessor's office that details, on a taxing district basis, the amount of assessed value for the inventory deduction or interstate commerce exemption. The Auditor then forwards the information, along with the certificate of net assessed values, to the various taxing units. Taxing units will use the information to calculate the additional rate necessary for the levy increase. The following formula should assist taxing units in calculating the additional tax rate for the inventory deduction or interstate commerce exemption.

Step 1) Determine the total assessed value removed from the taxing units' assessed value by the inventory deduction or interstate commerce exemption.

Step 2) Multiply the Step 1 amount by the cumulative fund rate cap to arrive at the levy to be replaced.

Step 3) Divide the Step 2 amount by the (2003p2004 certified assessed value multiplied by 100) for the taxing unit to arrive at the rate necessary to raise the levy in Step 2.

Step 4) Add the rate determined in Step 4 to the cumulative fund rate cap to determine the maximum rate available for the cumulative fund.

Counties that will receive an adjustment for inventory deduction purposes include:

Adams	Cass	Fayette	Floyd	Fulton	Grant	Jennings
Miami	Morgan	Pulaski	Scott	Wabash	Washington	Wells

2004 REVENUE ESTIMATES

Income Taxes

The DLGF is working with the State Budget Agency to come up with income tax estimates for taxing units to use for the 2004 budget. DLGF field representatives can provide assistance with estimating CAGIT, COIT, and EDIT distributions.

Excise

Taxing units can review past excise distributions to calculate an estimate for 2004. Taxing units should be conservative when determining an estimate for excise.

FIT

Taxing units may use the same FIT (financial institutions tax) estimate as 2003.

CVET

Taxing units may add 5% to the 2003 CVET amount to arrive at a 2004 CVET estimate.

2004 MAXIMUM LEVY ESTIMATES

All taxing units except those located in CAGIT counties may multiply their 2003 certified maximum levy by 1.06 plus add any requested excessive levy appeals to determine an estimated 2004 maximum levy. For units in CAGIT counties, DLGF budget field representatives can assist in calculating an estimated 2004 maximum levy.

CERTIFICATE OF NET ASSESSED VALUES

The certificate includes a column for the amount of contested appeals withheld from the assessed valuation certification. Our hope is this column will result in fewer units experiencing a property tax shortfall. The following table illustrates the various timelines for local officials with respect to the certification of assessed values.

	PERSONAL PROPERTY DEADLINES	REAL ESTATE DEADLINES
TWP ASSESSOR TO COUNTY ASSESSOR	June 1	May 15
CO. ASSESSOR TO COUNTY AUDITOR	July 1	July 1
CO. AUDITOR TO TAXING UNITS & DLGF	August 1	August 1

The importance of accurate assessed values reduces the potential for shortfalls and/or levy excess by local units of government. Accurate assessed values result in accurate tax rates and provide taxpayers with an accurate assessment of a unit's financial needs.

A second page is attached to include columns for the amount of assessed value removed for the inventory deduction or the interstate commerce exemption. This Co. Assessor should provide this information to the County Auditor in July.

BUDGET SCHEDULE

The county budget schedule is as follows:

Last meeting date for adoption: **September 20, 2003 IC 6-1.1-17-5(a)**

Objecting petitions filed within seven (7) days of budget hearing **IC 6-1.1-17-5(b)**

Last date for public hearing on budget (at least 10 days prior to adoption date):
September 10, 2003 IC 6-1.1-17-5(a)

Last date for first publication of budget estimate, which includes the 2004 annual total appropriations, current tax levy, proposed tax levy, and percentage change in levy:
(at least 10 days before the public hearing): **August 31, 2003 IC 6-1.1-17-3**

Last date for second publication (at least 3 days prior to the public hearing):
September 7, 2003 IC 5-3-1-2

1782 NOTICE

After the budgets are worked, the Department of Local Government Finance will provide political subdivisions written notification of any reductions, revisions, or increases the Department proposes in a political subdivision's appropriations, tax levy or tax rate.

IC 6-1.1-17-16(d) reads, "The political subdivision has one (1) week from the date the political subdivision receives the notice to provide a written response to the department of local government finance's Indianapolis office specifying how to make the required reductions in the amount budgeted for each office or department. The department of local government finance shall make reductions as specified if the political subdivision's response is provided as required by this subsection and sufficiently specifies all necessary reductions."

It should be stressed that our agency will accept recommended changes within seven (7) days after the county is notified by the Department of changes in appropriations, tax levies or tax rates. Requested changes must be postmarked within seven (7) calendar days to be considered. This deadline will be administered strictly to keep from obstructing the tax rate certification process. If your budget requires such a notice, mail the requested changes to the Indianapolis office of Budget Division, Department of Local Government Finance, Indiana Government Center North, N1058, 100 N. Senate Ave., Indianapolis IN 46204.

TAX ADJUSTMENT RATE (TAB) CHART

As soon as the budgets, tax rates and tax levies are approved or modified by the tax adjustment board or county auditor, whichever is applicable, the county auditor shall prepare and publish within fifteen (15) days the notice of tax rates to be charged on each \$100 of assessed valuation for the various funds in each taxing district. The Auditor is required to notify taxpayers and the taxing units of their right to appeal within ten days of the publication of such notice.

If the Co. Auditor calculates and fixes tax rates for the various taxing units, he/she is required to send a certificate of notice of the rate(s) to each political subdivision in the county. This notice must be sent within five days of the advertised notice of tax rates. This notice provides political subdivisions with the information necessary to determine whether or not to file an appeal against the tax adjustment board rates.

The following funds must be included in the notice of tax rates beginning in 2003:

Retirement/Severance Debt Service Fund, applicable to schools
Childrens Psychiatric Residential Treatment Services Fund (CPRTS), applicable to
family and social services administration
Tax Increment Replacement Levy Fund, applicable to Redevelopment Districts

The Tax Adjustment Board chart is to be published one time in two newspapers, if two newspapers are available. The Auditor is required to post the notice at the county court house. Proposed heads and tails are included in the Auditor's budget packet and should be used for the fall advertisement. Questions regarding the advertisement should be directed to the Budget Division.

NEW LEGISLATION

A separate memorandum detailing legislation has been included with this mailing.

